

Message Text

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ACTION XMB-04

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FM AMEMBASSY ATHENS

TO SECSTATE WASHDC 6328

INFO AMEMBASSY VIENNA

UNCLAS ATHENS 8298

EO 11652 NA

TAGS BPRO, GR

SUBJ: PARTIAL PAYMENT OF INTEREST ON SUPPLIER CRIDITS COVERED

UNDER EXIMBANK GUARANTEE PROGRAM

REF STATE 240929; ATHENS 3310; STATE 098430 (ALL NOTAL)

DEPT PASS EXIMBANK; VIENNA FOR DIETZ

1. EMBASSY HAS CONTACTED REPRESENTATIVES OF BANK OF GREECE (BOG) CURRENCY COMMITTEE, NATIONAL BANK OF GREECE AND US BANKING COMMUNITY TO CLARIFY QUESTION ON PARTIAL PAYMENT OF INTEREST RAISED BY MANTHOPOULOS CASE. EMBASSY HAS ESTABLISHED THAT THERE IS NO CONFLICT BETWEEN EXIM TERMS AND BOG REGULATIONS ON THIS ISSUE, AND THAT RECURRENCE OF CASE, ALTHOUGH TECHNICALLY POSSIBLE, IS IMPORBABLE.

2. SPECIFIC RESULTS OF INVESTIGATION AS FOLLOWS:
(A) THERE IS NO GENERAL PROHIBITION BY GREEK BANKING REGULATIONS ON THE PAYMENT OF INTEREST ON UNPAID PRINCIPAL BALANCE. CURRENCY COMMITTEE REGULATIONS HOWEVER, PROVIDE THAT IF INTEREST RATE ON IMPORT-RELATED OVERSEAS LOAN EXCEEDS 13 PERCENT OR 4 UNITS ABOVE REDISCOUNT RATE OF COUNTRY OF ORIGIN, SPECIAL WAIVER MUST BE SOUGHT FROM CURRENCY COMMITTEE. CURRENCY COMMITTEE REP. HAS CONFIRMED TO EMBASSY THAT NO OFFICIAL APPROVAL BY BOG AS DOCUMENTATION INVOLVED IS IN UNCLASSIFIED

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ORDER). IN PRACTICE, PROCEDURES VARY FROM BANK TO BANK IN

HANDLING SUCH LOANS WHEN THEY ARE BELOW INTEREST CEILING. AT LEAST SOME OF US BRANCH BANKS DO NOT SUBMIT SUCH TRANSACTIONS TO BOG FOR APPROVAL, AND HAVE RECEIVED TACIT APPROVAL OF BOG IN THIS PRACTICE. MORE CONSERVATIVE NATIONAL BANK, AND APPARENTLY MOST OTHER GREEK COMMERCIAL BANKS, AS A MATTER OF GENERAL PRACTICE, SUBMIT ALL SUCH LOANS WHERE INTEREST ON UNPAID PRINCIPLE INVOLVED TO BOG FOR APPROVAL EVEN THROUGH THIS NOT EXPLICITLY REQUIRED BY REGULATIONS. ACCORDING TO HEAD OF FOREIGN TRANSACTIONS SECTION, NATIONAL BANK PIRAEUS BRANCH (WHICH INVOLVED IN MANTHOPOULOS CASE), SUBMISSION IS STRICTLY ROUTINE, AND THEY HAVE NEVER RECEIVED TURNDOWN.

3. WITH RESPECT MANTHOPOULOS LOAN, NATIONAL BANK PIREUS BRANCH REP. STATED THAT HAD BANK FORESEEN REPAYMENT PROBLEMS WHICH HAVE DEVELOPED, BANK WOULD NOT HAVE PROVIDED MANTHOPOULOS WITH SHIPPING DOCUMENTS. HOWEVER, BANK INSISTS THAT IT WILL STICK TO TRADITIONAL METHOD OF HANDLING SUCH CASES, AND THAT UNTIL MANTHOPOULOS WILLING TO MAKE FULL PAYMENT AS PROVIDED PROMISSORY NOTE, AND UNTIL HE AGREES TO SEEK BOG "APPROVAL" FOR PAYMENT OF INTEREST ON UNPAID PRINCIPAL BALANCE, NATIONAL BANK WILL NOT EFFECT FULL PAYMENT.

4. MANTHOPOULOS CASE DUE TO VARIETY OF UNFORTUNATE CIRCUMSTANCES. TO EMBASSY'S KNOWLEDGE, THIS FIRST TIME PROBLEM HAS ARISEN AND PROBABILITY OF RECURRENCE APPEARS SLIGHT.

5. IF EIM WISHES EMBASSY TO MAKE FURTHER DIRECT CONTACT WITH MANTHOPOULOS TO SEEK HIS COOPERATION IN RESOLVING PROBLEM, WOULD APPRECIATE FURTHER BACKGROUND INFORMATION ON DISPUTE.
KUBISCH

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